



SF 477 – School Infrastructure Sales Tax Sunset (LSB2369SZ)
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 Fiscal Note Version – New

Description

Senate File 477 extends the 6.0% sales tax rate, the allocation to the Secure an Advanced Vision for Education (SAVE) Fund, and the statutory repeal of Iowa Code chapter **423F** until January 1, 2050.

Background

Under current law, the sales tax rate of 6.0% is reduced to 5.0% on January 1, 2030. The revenue in the SAVE Fund is allocated to school districts on a per pupil basis to be used for infrastructure and property tax reduction purposes specified in Iowa Code chapter **423F**. Prior to distribution of money in the SAVE Fund to school districts, 2.1% of the money is credited to the Property Tax Equity and Relief Fund created in Iowa Code section **257.16A**. Total SAVE Fund payments to school districts from FY 2009 to FY 2014 include:

	Total Payments
FY 2009	\$ 373,891,951
FY 2010	377,095,837
FY 2011	382,812,657
FY 2012	401,369,617
FY 2013	410,929,431
FY 2014	429,873,936

Assumptions

The following assumptions are used in the estimate:

- Historical sales and use receipts from 1988 to the present were used to arrive at an average annual growth rate of 3.6%. Fiscal years 1993 and 2009 were excluded due to the implementation of higher sales and use tax rates in those years.
- The Iowa Department of Revenue growth forecast for sales and use receipts is 3.4% for FY 2017, 3.7% for FY 2018, and 3.0% for FY 2019. For FY 2020 through FY 2050, an annual growth rate of 3.6% is used to forecast the annual sales and use tax receipts.
- Under current law, heavy construction machinery, rental vehicles, and hotel/motel charges are not subject to the 6.0% tax rate. These sales comprised 2.23% of the receipts in FY 2014 and will remain unchanged in the future.
- For FY 2050, the 6.0% sales tax rate will be collected for only half the year.

Fiscal Impact

The following table shows the estimated impact of extending the 6.0% sales tax rate:

Estimated Impact (Dollars in Millions)					
Fiscal Year	Growth Rate	Current Law		SAVE Share	
		Sales & Use Receipts at 5.0%	Sales & Use Receipts at 6.0%		
2030	3.6%	\$ 3,817	\$ 4,580	\$ 763	
2031	3.6%	3,954	4,745	791	
2032	3.6%	4,096	4,916	819	
2033	3.6%	4,244	5,093	849	
2034	3.6%	4,397	5,276	879	
2035	3.6%	4,555	5,466	911	
2036	3.6%	4,719	5,663	944	
2037	3.6%	4,889	5,867	978	
2038	3.6%	5,065	6,078	1,013	
2039	3.6%	5,247	6,297	1,049	
2040	3.6%	5,436	6,523	1,087	
2041	3.6%	5,632	6,758	1,126	
2042	3.6%	5,834	7,001	1,167	
2043	3.6%	6,045	7,253	1,209	
2044	3.6%	6,262	7,515	1,252	
2045	3.6%	6,488	7,785	1,298	
2046	3.6%	6,721	8,065	1,344	
2047	3.6%	6,963	8,356	1,393	
2048	3.6%	7,214	8,656	1,443	
2049	3.6%	7,473	8,968	1,495	
2050	3.6%	3,871	4,645	774	

Sources

Iowa Department of Revenue
LSA analysis and calculations

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.